

Message Text

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12

ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7340

C O N F I D E N T I A L OTTAWA 3243

E.O. 11652: GDS

TAGS: EFIN, IMF, IBRD, CA

SUBJECT: IMF/IBRD ANNUAL MEETING

PASS TREASURY

1. ON AUGUST 26 EMBOFF DISCUSSED UPCOMING WASHINGTON ANNUAL MEETING OF IMF AND IBRD WITH ALAN GILL, CHIEF, FINANCIAL INSTITUTIONS BRANCH, INTERNATIONAL PROGRAMMES DIVISION, DEPT. OF FINANCE AND OTHER FINANCE OFFICERS FROM INTERNATIONAL FINANCE DIVISION. IN THEIR OPINION, "MEETING WILL NOT ACCOMPLISH MUCH" ALTHOUGH THEY AGREED DELEGATIONS WILL BE UNDER PRESSURE TO FIND SOLUTIONS TO IMF QUOTA, GOLD AND TRUST PROBLEMS.

2. ON IMF QUOTAS, FINANCE REPS SAID CANADA MIGHT BE WILLING TO ACCEPT SLIGHT REDUCTION IN ITS QUOTA BUT DID NOT WANT SUCH REDUCTION TO BE MORE IN PERCENTAGE TERMS THAN REDUCTIONS IN QUOTAS FOR OTHER INDUSTRIALIZED COUNTRIES. THEY THOUGHT CANADA'S QUOTA WAS ALREADY LOWER THAN IT SHOULD BE. THEY ALSO THOUGHT CHIEF OBSTACLE TO SOLUTION OF QUOTA PROBLEM MIGHT BE JAPAN WHICH SEEMD TO THEM MORE LIKELY REFUSE ACCEPT ANY REDUCTION THUS CAUSING STIFFENING OF POSITIONS BY U.S. AND EC MEMBER COUNTRIES.

3. ON IMF GOLD, FINANCE REPS SAID CANADA'S BASIC POSITION WAS
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TO SUPPORT ANY MOVEMENT WHICH WOULD FURTHER DEMONETIZE GOLD AND

STRENGTHEN SDR'S. THEY WOULD LIKE IMF GOLD "ENTER WORLD MARKET IN MOST INDIRECT FASHION", E.G., TRANSFER PORTION OF IMF GOLD HOLDINGS (PERHAPS ONE-SIXTH FORMULA) TO MEMBER COUNTRIES AT \$35/OUNCE; MEMBERS IN TURN WOULD RETURN GOLD TO IMF AT SAME PRICE FOR TRUST FUND AND IMF WOULD SELL GOLD AT WORLD MARKET PRICES. ANY SALES OF IMF GOLD, HOWEVER, WOULD HAVE TO BE CAREFULLY MANAGED IN ORDER TO PREVENT IMF SELLING PRICE FROM BEING ESTABLISHED AS WORLD PRICE FOR GOLD. FINANCE REPS REASONED THAT SUCH RESULT WOULD RUN COUNTER TO CANADA'S BASIC POSITION ON GOLD.

4. CANADA WAS EXTREMELY INTERESTED IN PROMOTING IMF TRUST FUND AND HOPED PROGRESS WOULD BE MADE AT UPCOMING MEETING.

5. ACCORDING FINANCE OFFICERS, CANADA REALIZED THAT U.S., JAPAN AND EC POSITIONS ON PROBLEMS FACING IMF AND IBRD WOULD BE DECIDING FACTORS BUT GOC HOPED PLAY ROLE IN DECISIONS AND FONMIN TURNER WAS IN "CLOSE CONTACT" WITH U.S. AND EC TREASURY MINISTERS.
PORTER

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